



AS "Virši-A"

(Unified registration number 40003242737)

AUDITED CONSOLIDATED ANNUAL REPORT FOR 2022

**prepared in accordance with international
financial reporting standards as adopted
by the European Union
and independent auditor's report**

Contents

General information	4
Group Management Report	5
Consolidated statement of comprehensive income	8
Consolidated statement of financial position	9
Consolidated statement of cash flow	11
Consolidated statement of changes in equity	12
Notes to the consolidated financial statements	14
Independent Auditors' Report	42



VIRSI
+ 1007
+ 007
+ 000

General information

Name of the parent company	Virši-A
Legal form	Joint Stock Company
Registration number and date	40003242737, 6 January 1995
Legal address	Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, Latvia, LV-5101
Shareholders (above 5%)	Jānis Riekstiņš – 21.05% of shares Jānis Rušmanis – 20.88% of shares Ruta Plūme – 20.85% of shares Andris Priedītis – 12.83% of shares Ilgvars Zuzulis – 12.81% of shares
Members of the Board	Jānis Vība, Chairman Linda Prūse, Member of the Board Vita Čirjevskā, Member of the Board
Members of the Council	Jānis Riekstiņš, Chairman of the Council Jānis Rušmanis, Deputy Chairman of the Council Ilgvars Zuzulis, Member of the Council Andris Priedītis, Member of the Council Ivars Blumbergs, Member of the Council Silva Skudra, Member of the Council
Information on subsidiaries	Viršu nekustamie īpašumi, SIA Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, Latvia, LV-5101 Holding: 100.00%, from 15.09.2020 VIRŠI loģistika, SIA Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, Latvia, LV-5101 Holding: 100.00%, from 15.09.2020 VIRŠI Renergy, SIA Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, Latvia, LV-5101 Holding: 100.00%, from 20.07.2020
Information on associates	Gulf Petrol RE SIA Brīvības iela 85 - 5, Rīga, LV-1001 Holding: 30.00%, from 01.07.2016 GasOn SIA Bieķensalas iela 21, Rīga, LV-1004 Holding: 30.00%, from 30.12.2021 Skulte LNG Terminal AS Dzirnavu iela 36, Rīga, LV-1010 Holding: 19.23%, from 31.05.2022
Chief Accountant	Jelena Laurinaviča
Auditors	KPMG Baltics SIA Roberta Hirša iela 1 Rīga, LV-1045, Latvia Licence No. 55

Group Management Report

Line of business

AS VIRŠI-A and its subsidiaries form a group that trades in energy resources and maintains a network of convenience stores (hereinafter also referred to as "the Group"). The Group is engaged in wholesale and retail sale of oil products and retail sale of car goods and groceries through the network of own filling stations. The Group also provides electricity and natural gas trading to its customers. The registered and paid-in share capital of AS VIRŠI-A is EUR 7 557 210.50, and it is comprised of 15 114 421 shares. Nominal value per share is EUR 0.50. Effective from 11 November 2021, the shares of AS VIRŠI-A have been listed on the alternative market First North of Nasdaq Riga.

The Group's activities during the reporting period

In 2022, the Group successfully continued implementing its development strategy which involved objectives such as a substantial expansion of the network, modernisation of filling stations and providing consistently high quality of products and services to its customers, and also extending support to Latvian producers by presenting them an opportunity to place their products in stores of VIRŠI. The Group's objective from 2021 has been to become a fully-fledged energy company offering its clients an opportunity to purchase electricity and other energy products.

The financial results of the reporting period are strong and indicate substantial growth. Compared to 2021, turnover has increased by 70% or EUR 154.2 million, which was driven by further expansion and modernisation of the network of filling stations, the development of the product range in convenience stores, the dynamics of the fuel market, and the development of the Group's energy segment. The retail market of fuel in Latvia decreased by 0.7% in 2022 in terms of tonnes sold, while the Group's turnover grew by 7.2%. At the end of 2021, the Group operated 65 service stations, while at the end of 2022 – 70, the Group convincingly continued to grow its loyal customer base. Net sales in convenience stores increased by 18.4% or EUR 6.1 million. In 2022, the Group's energy business segment grew significantly, reaching net sales of EUR 24.9 million (2021: EUR 0.2 million, first year of operation). Net profit reached EUR 10 370 034, which is 57% more than in 2021, and net operating profit margin* was 2.8% (2021: 3.0%). EBITDA** amounted to EUR 12 308 030 (2021: EUR 9 694 065), an increase of 27% y-o-y.

(* Net operating profit margin – ratio calculated Profit of the reporting year dividing by Net sales;

** EBITDA – Profit for the reporting period before financial revenue and expenses, depreciation, amortisation and corporate income tax.)

Strategic development and investments

In 2022, the Group actively continued to expand its network, opening 5 new service stations, 4 of which are located in Riga and the neighbouring regions, as well as a new service station in Daugavpils. The Group also continued to improve the availability of compressed natural gas (CNG) on the market by offering the CNG product at the newly-built Daugavpils service station, thus providing compressed natural gas refuelling opportunities for the bus fleet of AS Daugavpils Satiksme. Given that CNG is currently the most optimal solution to reduce the harmful emissions from lorries the development of the network helps Latvia achieve the objective of reducing the amount of harmful emissions in the transport sector. The network of AS VIRŠI-A consists of 70 service stations, of which nine offer CNG.

In 2022, the Group started efforts to significantly expand its EV charging network, and improve its accessibility and quality - the first electric car charging station was installed at Krustpils filling station, marking the first Virši-branded solution on the market. Also an agreement was signed with the European Executive Agency for Climate, Infrastructure and Environment to use the Alternative Fuel Infrastructure Facility (AFIF) to develop 20 new Virši EV charging stations.

Electricity and related products are given a significant role in the strategic development of the Group. The Company has started active cooperation with more than 30 Latvian electricity producers (energy sources: water, solar, biomass, biogas) and is carrying out efficiency and profitability-enhancing activities in the wholesale electricity market. The Company also offers electricity to business segment customers, as well as is actively



working on the development of an electricity sales offer for households, which AS VIRŠI-A plans to introduce on the market in the second half of 2023.

In May 2022, AS VIRŠI-A signed an agreement to acquire a 19.23% stake in AS Skulte LNG Terminal and announced plans to jointly develop a liquefied natural gas (hereinafter - LNG) terminal at the port of Skulte. The development of this project is expected to increase the energy independence of Latvia and the Baltic region and make a significant contribution to the diversification of natural gas supplies and the further development of the natural gas market.

The Group's total investment in 2022 amounted to EUR 10.9 million (2021: EUR 14.7 million).

AS VIRŠI-A has been a gold level member of the Extended Cooperation Programme of the State Revenue Service since 2018.

Corporate governance

In 2022, the Group continued to improve its corporate governance framework, with a particular focus on addressing sanctions risks, which became more relevant in the context of the extensive sanctions imposed on Russia and Belarus. The procedures for verifying and monitoring cooperation partners were significantly improved to minimise these risks. In 2022, the Internal Audit Procedure was approved, the Whistleblowing Procedure and the Anti-Corruption and Conflict of Interest Policy were updated, and several internal documents on the protection of personal data were updated. The Group companies conduct regular employee training in all these areas to ensure that employees are aware of compliance requirements and to facilitate discussions on these topics.

On February 2023, Virši has received the Nasdaq Baltic Award 2023 for Best Investor Relations on First North Share List. This award recognizes the company's achievements in transparency, good corporate governance practices and investor relations.

ESG reporting

Environmental, social and governance issues are gaining momentum among both society and business. Over the last decade, climate change, resource scarcity, social inequalities, discrimination, various crises and conflicts have vividly illustrated the challenges facing contemporary societies. Also, the performance and achievements of any company should be considered also in the context of sustainability with performance indicators assessed in conjunction with environmental, social and corporate governance matters. This provides a significantly deeper and wider insight into operations of the company and fosters transparency. In 2022, the Group continued its reporting practice and prepared its second non-financial report on the implementation of environmental, social responsibility and corporate governance principles. The report was prepared to introduce clients, employees, future investors and shareholders, and the wider public to ESG indicators and initiatives to be taken by Virši in future years.

In 2022, a Materiality Analysis of the Sustainability Objectives was carried out to ensure a common understanding of the environmental impact of the business and the main challenges and objectives of the Group's operations. In the analysis, the Group's stakeholders - business partners, investors, policy makers, the financial sector, academia, the non-governmental sector and industry associations with experience in working with companies in the aforementioned sectors, policy making and attracting investment - were asked, in face-to-face interviews, about their key sustainability objectives for the oil, energy and food retail sector and its sustainable development in Latvia.

Stakeholders' views on the Group's sustainability issues will help map the company's environmental, social and governance impacts and highlight potential sustainability themes that will form the basis of the Group's sustainability plans.

Environment protection measures

AS VIRŠI-A and its subsidiaries take an integrated approach to prevention and control of pollution and are compliant with the environmental requirements set forth in category C and B polluting activity permits and laws and regulations.

AS VIRŠI-A operates efficiently and has certified environmental and energy management systems, ensuring continuous improvement of the company's operations and alignment of objectives with environmental protection and energy efficiency improvement. Since 2015, the Group has continued to maintain the operational and investment strategy in line with ISO 50001, and in 2021 Virši aimed to raise quality standards and implement an environmental management system in line with ISO 140001:2015; as a result, AS VIRŠI-A was certified in September 2022. In order to improve the company's processes, the interaction between them and the quality of products and goods, the existing management systems were supplemented in autumn 2022 with a quality management system compliant with ISO 9001:2015. Energy management, environmental and quality system commitments are respected and complied with in the storage and sale of fuel products, procurement, acquisition of new process equipment, station refurbishment and new development projects, sale of goods and products, and in customer service.

Personnel

The labour market situation in the Latvian economy continued to be tight during the reporting period, with the supply of vacancies significantly outstripping demand and, according to the latest report of the State Employment Agency, it is particularly tight in the retail sector.

In the first half of 2022, the Group prioritised strengthening the well-being of staff by improving the employer's offer for attracting and retaining staff in the long term. A particular focus during 2022 was on the retail network employees, whose number continues to grow as a result of the Group's network expansion.

In May 2022, the Group organised a corporate update event *Viršu Forums 2022 - Aizrautība ir mūsu degviela (Passion is our Fuel)* to bring together employees to inspire, inform and engage after prolonged constraints of the pandemic.

Continuing the employee share option programme, the first option conversion was carried out, increasing the share capital and issuing an additional 23 212 shares. The share option programme has been successful in motivating managers and long-serving staff.

Support to Latvia State Blood Donor Centre

In 2022, the changing and unpredictable nature of Covid-19 had a significant impact on the Latvian blood donor movement, and the importance of continuity of blood donation increased in the unstable geopolitical situation, so the Group continued to support the State Blood Donor Centre last year by raising public awareness of the need and opportunities for blood donation. It was the third year when the Group cooperated with the State Blood Donor Centre, inviting people to donate blood to save the lives and health of their fellow human beings. Support activities continued throughout the year, with this message being particularly strong in June and July, when the support campaign took place. During these periods, donor activity increased in particular, with blood donors helping tens of thousands of people in critical need of blood transfusions.

Support to Ukraine

Following the military invasion of Ukraine by the Russian Federation, the Group joined the aid effort. To help Ukraine and its citizens, the Group joined the Entrepreneurs for Peace movement and donated EUR 65 000 to support Ukraine. In order to support Ukrainian citizens, the Group, in cooperation with the national authorities, reacted quickly and was ready to welcome Ukrainian citizens into its team and provide jobs.

In view of the war launched by Russia on the territory of Ukraine, the Group decided that any cooperation with Russian and Belarusian companies was unacceptable and therefore it discontinued purchasing Russian and Belarusian products to be sold at convenience stores. In addition, business segment services in Russia and Belarus were promptly discontinued at the beginning of 2022.

Management of financial risks

The Group is exposed to financial risks including credit risk, oil price risk, interest rate and currency risk. In order to control significant risks and mitigate the adverse impacts of the financial market, the Group's management observes internal procedures.

Credit risk is controlled by the Group through constant assessment of client credit history based on credit policies in place. Receivables are registered by an individual assessment of the customer's credit history and financial indicators within appropriate credit limits and due days set. Trade receivables are carried at recoverable amount. The Group's partners in cash transactions are local and foreign financial institutions with appropriate credit history.

The Group is exposed to the oil price risk, both as it purchases and sells fuel products as the price of fuel products is closely linked to market fluctuations in oil prices. The risk is mitigated as the Group's prices are predominantly set on the basis of the actual fuel purchase price.

The Group observes a prudent policy for managing liquidity risk and secures access to appropriate amounts of cash and cash equivalents or credit resources under bank credit lines to be able to meet its liabilities as they fall due.

For the purposes of currency risk management, the Group management monitors the currency structure of assets and liabilities. Due to the current structure of the financial assets and liabilities denominated in foreign currencies, the currency risk is not material.

Subsequent events

On 24 February 2022, the Russian Federation launched a military attack against Ukraine, which led to the outbreak of war on Ukrainian territory. The world is broadly supporting Ukraine through financial and economic sanctions against the Russian Federation. Management has assessed existing customers, suppliers and business processes - the Group's performance is currently stable, however, at the date of signing this financial report, there is uncertainty about future actions by the neighbouring country, the energy market strategy in the region, and other future impacts of the war.

On February 2023, AS VIRŠI-A has received the Nasdaq Baltic Award 2023 for Best Investor Relations on First North Share List. This award recognizes the company's achievements in transparency, good corporate governance practices and investor relations.

Riga, 11 April 2023



Jānis Vība
Chairman of the Board



Linda Prūse
Member of the Board



Vita Čirjevskā
Member of the Board

THIS DOCUMENT IS SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIMESTAMP.

Consolidated statement of comprehensive income

	Note	2022 EUR	2021 EUR
Net sales	2	375 109 995	220 881 534
Cost of sales	3	(342 338 541)	(195 020 016)
Gross profit		32 771 454	25 861 518
Selling expenses	4	(22 556 715)	(17 480 443)
Administrative expenses	5	(2 463 212)	(2 126 246)
Other operating income	6	1 094 001	102 023
Other operating expenses	7	(957 078)	(290 985)
Results from operating activities		7 888 450	6 065 867
Financial revenue	28	3 371 329	1 071 113
Finance expenses	21	(617 984)	(502 233)
Profit before corporate income tax		10 641 795	6 634 747
Corporate income tax for the reporting year	8	(271 761)	(18 980)
Profit after corporate income tax		10 370 034	6 615 767
Profit of the reporting year		10 370 034	6 615 767
Other comprehensive revenue			
Items that will never be reclassified to profit or loss			
Revaluation of property and equipment	10	6 808 868	(539 561)
Change in Asset retirement obligation	16, 19	245 638	57 087
Other comprehensive revenue		7 054 506	(482 474)
Total comprehensive income		17 424 540	6 133 293
Earnings per share before and after dilution	16	0.69	0.49
EBITDA per share		0.82	0.71

The accompanying notes on pages 14 to 41 are an integral part of these consolidated financial statements.

Riga, 11 April 2023



Jānis Vība

Chairman of the Board



Linda Prūse

Member of the Board



Vita Čirjevskā

Member of the Board



Jeļena Laurinaviča

Chief Accountant

THIS DOCUMENT IS SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIMESTAMP.

Consolidated statement of financial position as at 31 December 2022

ASSETS

NON-CURRENT ASSETS	Note	31.12.2022 EUR	31.12.2021 EUR
Intangible assets	9	219 342	154 360
Property and equipment	10	74 386 620	61 745 970
Right-of-use assets	11	2 617 373	2 615 419
Investment in associate	12	1 627 223	1 559 947
Loan to an associate		1 524 543	278 400
Derivatives	28	7 578 471	3 500 764
TOTAL NON-CURRENT ASSETS		87 953 572	69 854 860
CURRENT ASSETS			
Inventories	13	9 310 417	11 799 477
Trade receivables	14	16 787 045	12 441 129
Due from related parties		11 565	6 513
Derivatives	28	2 578 215	34 271
Corporate income tax receivable	24	1 146	-
Other receivables		273 474	504 552
Prepaid expenses		128 851	108 903
Accrued income		3 839 054	265 859
Cash and cash equivalents	15	12 352 324	6 398 863
TOTAL CURRENT ASSETS		45 282 091	31 559 567
TOTAL ASSETS		133 235 663	133 225 088

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	31.12.2022 EUR	31.12.2021 EUR
SHAREHOLDERS' EQUITY			
Share capital		7 557 211	7 545 605
Share premium		6 358 527	6 358 527
Reserves:			
Long term investment revaluation reserve		26 123 808	19 648 511
Other reserves		(4 047 266)	(4 172 683)
Retained earnings:			
Retained earnings brought forward from previous years		20 154 194	14 017 740
Profit of the reporting year		10 370 034	6 615 767
TOTAL EQUITY	16	66 516 508	50 013 467
LIABILITIES			
Non-current liabilities			
Loans from credit institutions	17	17 546 599	14 459 648
Other loans	18	5 491 216	6 082 854
Provisions for asset retirement obligation	19	683 765	855 010
Derivatives	28	5 610 513	2 467 548
Lease liabilities	20	1 804 362	1 706 813
Deferred income		496 528	-
TOTAL NON-CURRENT LIABILITIES		31 632 983	25 571 873
Current liabilities			
Loans from credit institutions	17	3 862 190	2 382 759
Other loans	18	700 000	700 000
Derivatives	28	344 042	6 071
Lease liabilities	20	456 277	645 383
Trade and other payables		20 897 107	16 767 329
Deferred income		132 895	7 652
Tax liabilities	24	4 681 959	3 393 849
Accrued liabilities	22	4 011 702	1 926 044
TOTAL CURRENT LIABILITIES		35 086 172	25 829 087
TOTAL LIABILITIES		66 719 155	51 400 960
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		133 235 663	101 414 427

The accompanying notes on pages 14 to 41 are an integral part of these consolidated financial statements..

Riga, 11 April 2023

Jānis Vība
Chairman of the Board

Linda Prūse
Member of the Board

Vita Čirjevskā
Member of the Board

Jeļena Laurinaviča
Chief Accountant

THIS DOCUMENT IS SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIMESTAMP.

Consolidated statement of cash flow

	Note	2022 EUR	2021 EUR
Cash flows from operating activities			
Profit before tax		10 641 795	6 634 747
Adjustments for:			
Depreciation and amortisation	9, 10	4 419 581	3 628 198
Fixed assets impairment	10	389 958	-
Result of disposal of property and equipment	6, 7	(7 807)	12 491
Employee share option programme		137 023	33 356
Interest income		(101 995)	(6 906)
Interest and similar expenses	21	617 984	501 286
Income from investment in associate		(57 276)	(2 791)
Net change in fair value of derivatives and loan		(3 212 058)	(1 061 416)
Profit before adjustment for the impact of changes to current assets and current liabilities		12 827 205	9 738 965
(increase)/decrease of receivables		(7 713 033)	(4 057 407)
(Increase) or decrease in inventories		2 489 060	(6 357 073)
increase/(decrease) of accounts payable to suppliers, contractors and other creditors		8 137 167	7 398 653
Gross cash flows from operating activities		15 740 399	6 723 138
Interest paid	21	(447 341)	(253 763)
Repaid /(paid) corporate income tax		(291 887)	13 982
Net cash flows from operating activities		15 001 171	6 483 357
Cash flows from investing activities			
Acquisition of shares of related or associated companies	12	(10 000)	(1 500 000)
Purchase of property, equipment and intangible assets	9, 10	(10 183 333)	(13 629 307)
Loan issued		(1 700 000)	-
Income from disposal of fixed and intangible assets	6, 7	183 924	60 729
Loans repaid		525 199	24 800
Interest received		101 995	6 906
Net cash flows generated from investing activities		(11 082 215)	(15 036 872)
Cash flows from financing activities			
Proceeds from the issue of shares and bonds or equity investments		-	7 226 272
Dividends		(1 058 522)	-
Loans received	21	7 000 000	8 000 000
Repayment of loans and leases	21	(3 906 973)	(3 950 509)
Net cash flows from financing activities		2 034 505	11 275 763
Net cash flows for the reporting year		5 953 461	2 722 248
Cash and cash equivalents at the beginning of the year		6 398 863	3 676 615
Cash and cash equivalents at the end of the year	15	12 352 324	6 398 863

The accompanying notes on pages 14 to 41 are an integral part of these consolidated financial statements.

Riga, 11 April 2023



Jānis Vība
Chairman of the Board



Linda Prūse
Member of the Board



Vita Čirjevskā
Member of the Board



Jeļena Laurinaviča
Chief Accountant

THIS DOCUMENT IS SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIMESTAMP.

Consolidated statement of changes in equity

	Note	Share capital	Share premium	Long-term investment revaluation reserve	Other reserves	Retained earnings	Total shareholders' equity
As at 31 December 2020		6 677 860	-	20 714 459	(4 206 039)	13 434 266	36 620 546
Comprehensive income							
Profit of the reporting period		-	-	-	-	6 615 767	6 615 767
Other comprehensive revenue							
Provisions for asset retirement obligation	16	-	-	57 087	-	-	57 087
Transfer due to depreciation of accumulated revaluation gain		-	-	(583 474)	-	583 474	-
Increase/(decrease) in the long-term investment revaluation reserve	10	-	-	(539 561)	-	-	(539 561)
Transaction with owners of the Group							
Share capital increase	16	867 745	6 358 527	-	-	-	7 226 272
Staff share option programme	16	-	-	-	33 356	-	33 356
As at 31 December 2021		7 545 605	6 358 527	19 648 511	(4 172 683)	20 633 507	50 013 467
Comprehensive income							
Profit of the reporting period		-	-	-	-	10 370 034	10 370 034
Other comprehensive revenue							
Provisions for asset retirement obligation	16	-	-	245 638	-	-	245 638
Transfer due to depreciation of accumulated revaluation gain		-	-	(579 209)	-	579 209	-
Increase/(decrease) in the long-term investment revaluation reserve	10	-	-	6 808 868	-	-	6 808 868
Transaction with owners of the Group							
Dividend distribution		-	-	-	-	(1 058 522)	(1 058 522)
Employee share option programme	16	11 606	-	-	125 417	-	137 023
As at 31 December 2022		7 557 211	6 358 527	26 123 808	(4 047 266)	30 524 228	66 516 508

The accompanying notes on pages 14 to 41 are an integral part of these consolidated financial statements.

Rīga, 11 April 2023



Jānis Vība
Chairman of the Board



Linda Prūse
Member of the Board



Vita Čirjevskā
Member of the Board



Jeļena Laurinoviča
Chief Accountant

THIS DOCUMENT IS SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIMESTAMP.



7 5
B A

SCANIA CITYWISER

354

8 6
B A



Notes to the consolidated financial statements

1. Information on the Group's activities and summary of significant accounting principles

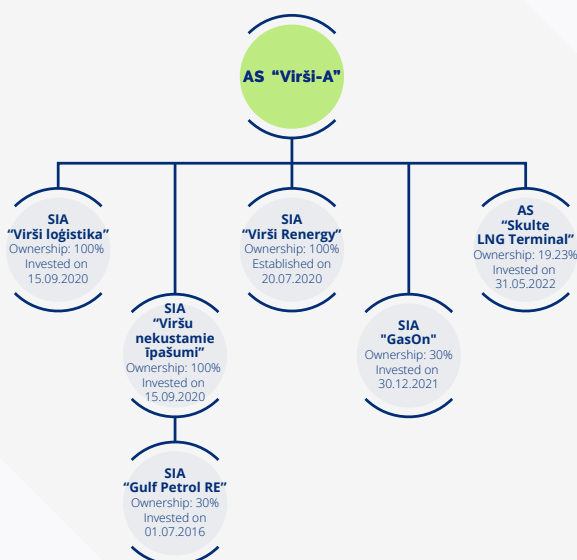
General information on the Group

AS Virši-A (hereinafter "the Group" or "the Parent Company") was registered with the Enterprise Register of Latvia on 6 January 1995. The legal address is Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads. The Group's shareholders are natural persons, residents of Latvia. The Group is engaged primarily in retail and whole sales of oil products, and retail sales of goods.

The Group Parent Company manages three subsidiaries SIA Viršu nekustamie īpašumi, SIA Virši loģistika, and SIA Virši Renergy. The operating activities of the subsidiaries are related to those of the Parent Company and represent development and management of real estate properties, ensuring fuel deliveries to the Group's filling stations, franchises and wholesale clients, and selling natural gas and, from June 2021, also electricity.

The Group's consolidated financial statements for 2022 were approved by the Board of the Group on February 28, 2023.

Legal structure of the Group



Virši Group entities were consolidated in joint structure during 2020. Prior to the legal restructuring of Virši entities (legal investment date - 15 September 2020), SIA Viršu nekustamie īpašumi and SIA Virši Loģistika were related parties to AS Virši-A with the same ownership structure.

Summary of accounting principles used

Basis of preparation

The consolidated financial statements were prepared on a going concern basis and in accordance with the International Financial Reporting Standards (hereinafter – IFRS) adopted by the European Union.

All International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are in force during the preparation of the consolidated financial statements are approved for use in the European Union by the European Commission in line with the applicable endorsement procedure.

The currency unit used in the consolidated financial statements is Euro (EUR).

The consolidated financial statements cover the period from 1 January 2022 to 31 December 2022.

The statement of comprehensive income was prepared according to the cost function.

The cash flow statement was prepared using the indirect method.

The consolidated financial statements were prepared on the historical cost basis, except for the following items: buildings are revalued on a periodic basis; derivatives are carried at fair value.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements:

- It is assumed that the Group will continue to operate;
- Consistent valuation principles were used with those used in comparable accounting periods;
- Items were valued in accordance with the principle of prudence:
 - The consolidated financial statements reflect only the profit generated to the balance sheet date;
 - all incurred liabilities and current or prior year losses have been taken into consideration even if discovered within the period after the date of the balance sheet and preparation of the consolidated financial statements;
 - all amounts of impairment and depreciation have been taken into consideration irrespective of whether the financial result was a loss or profit;
- Income and expenses incurred during the reporting year have been taken into consideration irrespective of the payment date or date when the invoice was issued or received;
- Assets and liabilities were valued separately.
- All material items, which would influence the decision-making process of users of the consolidated financial statements, have been recognised and insignificant items have been combined and their details disclosed in the notes;
- Business transactions are recorded taking into account their economic contents and substance, rather than the legal form.

Related parties

Related parties represent both legal entities and private individuals related to the Group in accordance with the following rules.

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has a significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - iii. The entity is controlled, or jointly controlled by a person identified in (a).
 - iv. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - v. The entity or any member of the group to which the entity belongs provides management personnel services to the entity or the parent of company of the entity.

Related party transaction – a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Principles of consolidation

These consolidated financial statements include the financial position and results of operations of the Parent Company and controlled subsidiaries. A Parent Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in companies that the Group does not control, but where it has the ability to exercise significant influence (Group's interests are between 20% and 50%) over operating and financial policies, are accounted for using the equity method.

These investments are the Group's interests in associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates is accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated during the process of consolidation. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Segment information

Operating segments are presented in accordance with the classification used in internal reports to the chief operating decision maker. The main decision maker is a person or group of persons who allocates resources to the Group's operating segments and evaluates their activities results. The main decision-maker of the Group is the Board.

The Group does not have separate operating segments and management does not perform analysis at a segment level, as it operates only in Latvia and its business is the running of gasoline stations of similar nature. Refer to Note 2 for revenue split by types of operations. All non-finance non-current assets are placed in Latvia. The Group does not have major customers.

New standards and interpretations

Either the Group has not entered into any transactions that would be affected by the newly adopted standards, or its accounting policies already comply with the new requirements. A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022, and have not been applied in preparing these consolidated financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements.

- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Definition of Accounting Estimate (Amendments to IAS 8).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes.

Financial instruments

A financial instrument is an agreement that simultaneously results in financial assets of one party and financial liabilities or equity securities of the other party.

The key financial instruments held by the Group are financial assets such as trade receivables, other receivables, loans, and financial liabilities such as loans, financial instruments, lease liabilities, accounts payable to suppliers and contractors, and other creditors arising directly from its business activities.

Recognition and initial measurement

Trade receivables and debt instruments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets

Classification and subsequent measurement

At initial recognition, the Group's financial assets are classified as measured at amortised cost, except for derivative assets referred to in Section "Use of derivatives".

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ŠFor the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition.

'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial

assets are reclassified on the first day of the first reporting period following the change in the business model.

The Group does not hold debt or equity investments measured at FVOCI or FVTPL. All Company's financial assets are classified as financial assets at amortized costs, these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Any gain or loss on derecognition is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents represent cash in bank accounts and on hand, cash in transit and short-term deposits with initial maturity of up to 3 months.

Financial liabilities

Financial liabilities are initially carried at amortised cost and are subsequently measured at amortised cost using the effective interest method, except for derivative liabilities referred to in Section "Use of derivatives". Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Use of derivatives

In addition to the above risk management policies, the Group uses derivatives to hedge financial risks.

Derivatives are financial instruments whose value changes depending on the interest rate, securities price, foreign exchange rate, price index or rate, credit rating or changes in a similar flexible ratio, and which is impacted by one or several financial risks characteristic of the underlying financial instrument, and transferred from the Group to other parties to the transaction.

The Group uses derivatives such as commodity and currency futures and other derivatives which are initially disclosed at cost and at fair value. Fair value is determined with reference

to market prices. All derivatives are recognized as assets if their fair value is positive and liabilities if their fair value is negative. The Group has not applied hedge accounting.

Non-financial assets and liabilities

Intangible assets

Intangible assets are carried at cost amortized over the useful life of the asset on a straight line basis. Should any events or changes in circumstances indicate that the book value of intangible assets is no longer recoverable the respective intangible assets are reviewed for impairment. An impairment loss is recognized when the book value of an intangible asset exceeds its recoverable amount. Groups intangible assets mainly consists of IT softwares and developments with useful life of 3 years.

Property and equipment

(i) Useful lives

Property and equipment is carried at historical cost except for land and buildings that are recognized at revalued value, less accumulated depreciation and impairment. No depreciation is calculated for land. Depreciation is calculated on a straight line basis over the useful life of the asset:

Buildings and engineering structures	- 20 - 40 years
Equipment and machinery	- 5 - 20 years
Other property and equipment	- 2 - 7 years

Depreciation is calculated from the month following the month of putting the asset into use or involvement of it in operating activities. Depreciation should be calculated separately for each component of property and equipment the cost of which is material in comparison with the total cost of the respective asset. If certain components of an item of property and equipment are depreciated on an individual basis, other components of that same asset item are also depreciated on an individual basis. The remainder represents components that are not material individually. Depreciation of the remaining components is calculated using approximation methods to make proper disclosures of the useful life.

The change of the depreciation method is considered a change of an accounting estimate which a medium and large company is required to disclose in the notes to the consolidated financial statements.

Should any events or changes in circumstances indicate that the book value of property and equipment is no longer recoverable the respective assets are reviewed for impairment. In the presence of non-recoverability indications and when the carrying amount of an asset exceeds its recoverable amount, the asset or its cash-generating unit is written down to its recoverable amount. The recoverable amount of property and equipment is the greater of net sales value and value in use. The value in use is estimated by discounting estimated future cash flows at present value using a pre-tax discount rate which reflects the present market forecasts with respect to the changes in the value of the asset and risks associated with it. The recoverable amounts of assets that do not generate independent cash flows are determined for the cash generating

unit to which the asset belongs. Impairment loss is recognised in the profit and loss statement as cost of goods sold.

Items of property and equipment are derecognized in case of disposal or when future benefits are no longer expected from the use of the respective asset. Any profit or loss arising on derecognition of an item of property and equipment (calculated as the difference between net income from disposal and book value) is recognized in the profit and loss statement of the period of de-recognition.

The cost of leasehold improvements is capitalized and reflected under property and equipment. Depreciation of these assets is calculated over the entire period of lease on a straight line basis. Construction in progress reflects the costs of building items of property and equipment and work in progress and is disclosed at cost. The cost includes the cost of construction and other direct expenses. Construction in progress is not subject to depreciation until the respective assets are completed and put into operation.

(ii) Fair value of property and equipment

Land, buildings and constructions are measured by the Group using the revaluation model. In case the carrying amount of items of property and equipment at the reporting date is lower than the valuation in the balance sheet, and such impairment is expected to be permanent, assets are recognized at the lower value. The revaluation result is recognized in the profit and loss statement except if a previously recognized increase in the value of assets is set off against an impairment loss. In that event, the long term investment revaluation reserve is decreased by the amount of impairment.

In case the value of assets at the balance sheet date is higher than the valuation on the balance sheet, the assets are revalued to the higher value if the increase in value may be assumed to be other than temporary. The increase of value resulting from revaluation is recognized under "Long term investment revaluation reserve". If an increase in the value resulting from revaluation compensates for the impairment of the same asset which was previously recognized as an expense in the profit and loss statement, then the increase resulting from revaluation is recognized as income in the profit and loss statement as incurred. The long term investment revaluation reserve is decreased when the revalued asset is disposed, is no longer utilized, or the increase of value is no longer reasonable. The increase included in the long term investment revaluation reserve under equity is decreased by recognising this decrease in the profit and loss statement accordingly: gradually over the entire lifetime of the revalued asset, each reporting period writing down from reserves an amount equal to the difference between the depreciation, calculated based on the revalued value of the asset, and depreciation calculated based on the cost of the asset.

As at 30 December 2022, certain categories of property and equipment were revalued to fair value. The revaluation was performed for Land, buildings and engineering structures (see Note 10).

Lease

Accounting under IFRS 16

Initially, right-of-use assets are measured at the present value of outstanding lease payments at the date of recognition. Lease payments are discounted using the Group's effective financing rate for the specific category of assets.

Subsequent to initial recognition, right-of-use assets are measured at cost.

Under the cost model, right-of-use assets are measured at cost net of accumulated amortisation and impairment losses. Assets are amortised from the date of acquisition to the end date of lease.

Subsequent to initial recognition, lease liabilities are measured

- by increasing the carrying amount to reflect interest under lease liabilities, and
- by reducing the carrying amount to reflect lease payments made.

Right-of-use assets relating to leased assets are disclosed in the statement of financial position separately from other assets and lease liabilities are disclosed separately from other liabilities.

Interest expenses on lease liabilities are disclosed in the statement of comprehensive income and other comprehensive income separately from amortisation of the right-of-use asset.

Investments in associates

The Group's interests in equity-accounted investees comprise investments in associates. Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Such investments are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, these individual financial statements include the Group's share of the profit or loss and other comprehensive income of associates on an equity-accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group's share of losses exceeds the Group's interest in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Unrealized gains arising from transactions with associates are eliminated against the investment to the extent Group's share in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Inventories

Inventories are stated at the lower of cost or net realizable value.

Expenses incurred to deliver inventories to their current location and condition are recognized in the following way:

- raw materials are recognized at purchase cost in line with the FIFO method;
- finished goods and work in progress are carried at direct cost of materials and labour plus production overheads based on the nominal production capacity of equipment net of borrowing costs.

Net realizable value represents the estimated sales price in the ordinary course of business less estimated cost to complete and sell the goods. Net realizable value is reflected as cost less allowances.

Earnings per share

Basic earnings per share is computed by dividing profit available for distribution to common shareholders of the Group by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per share is determined by adjusting profit available for distribution to common shareholders of the Group and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees. The Group currently has ordinary shares with dilutive potential arising from share options granted to employees.

Employee benefits

Short-term employee benefits, including salaries and social security contributions, bonuses and vacation benefits are included in net operating expenses on an accrual basis as the services are provided. The Group pays fixed social security contributions to State Social Fund on behalf of its employees during the employment period in accordance with local legal requirements and will have no obligations to pay further contributions relating to employee services in respect of retired employees.

Share-based payments

The Group has rolled out an equity-settled transactions share-based payments programme to its key employees. The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. During 2021 listed share price was used as a proxy for the share base award fair value determination. That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other reserves), over the period in which the service conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Deferred Tax Liability on unremitted earnings

In Latvia, legal entities are required to pay income tax on earned profits in accordance with the law on Corporate Income Tax. Corporate income tax would be paid on distributed profits and deemed profit distributions. Corporate income tax on dividends would be recognized in the statement of profit and loss as expense in the reporting period when respective dividends are declared, while, as regards other deemed profit items, at the time when expense is incurred in the reporting year.

The Group has decided to use these beneficial tax regimes to reinvest profit in further development of respective

subsidiaries, therefore it does not plan to distribute dividends from subsidiaries in Latvia in the next 5 years. The Group controls the process of dividend distribution and does not plan to distribute dividends from subsidiaries for year 2023 and after in the foreseeable future: the 5 year horizon is considered appropriate given the Group's planning cycle. Due to above mentioned reason, the Group has not recognized deferred tax liabilities.

Provisions for asset retirement obligation

The nature of certain Group's businesses exposes the Group to risks of environmental costs and potential contingent liabilities. The risk arise from manufacture, storage, transport and sale of products that that may be considered to be contaminants when released into the environment. Liability may arise also through the acquisition, ownership or operation of properties or businesses.

Provisions can arise from environmental risks, litigation, restructuring plans or onerous contracts. Environmental provisions are recorded based on current interpretations of environmental laws and regulations when the certain conditions are met.

The Group records the present value of the estimated future costs to settle its legal obligations to abandon, dismantle or otherwise retire tangible non-current non-financial assets in the period in which the liability is incurred. Provisions for asset retirement obligation (ARO) are recorded in the consolidated statement of financial position.

As the Group applies revaluation model for property and equipment, valuation of the property and equipment are kept sufficiently up to date such that the carrying amount of the asset does not differ materially from its fair value at the reporting date. The carrying amount of ARO must be reassessed at each financial reporting date. This includes taking into account new information and appropriateness of the discounts rate and other various assumptions, e.g inflation rate.

A change in the provision does not affect the valuation of the asset, because the value of the provision is excluded from the asset valuation.

The change in the provision affects the revaluation difference recognised in equity between the value of property and equipment and the value that would have been recognised under the cost model. Changes in the provision affect the revaluation surplus or deficit previously recognised in respect of that asset. Changes resulting from the unwinding of the discount are recorded in profit or loss.

A decrease in the provision is recognised in other comprehensive income, except to the extent that it reverses a revaluation deficit previously recognised in profit or loss, or when it would result in the depreciated cost of the asset being negative. An increase in the provision is recognised in profit or loss, except to the extent that any credit balance remains in the revaluation surplus in equity.

In case ARO is changed, the Group is assessing possible necessity of revaluation of the asset.

A provision is recognized in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that the obligation will result in payment, and the amount of payment can be estimated reliably.

The existence of criteria for recognizing provisions and the amounts of provisions are determined based on estimates.

The amount to be recorded is the best estimate of the cost required to settle the obligation at the reporting date or transfer to a third party. The estimate of the financial impact of the past event requires management judgement, which is based on similar events occurred in the past, and where applicable, the opinion of external experts. Estimates may differ from the actual future amount of the obligation and with respect to the existence of the obligation.

ARO measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The Group's provisions for asset retirement obligation ("ARO") represents management's best estimate of the present value of costs that are expected to be incurred for oil installation decommissioning to the extent that Group is obliged to rectify damage already caused. Based on the current projected retail station life, these costs are not expected to be realised until 4-40 years' time with the average remaining lifetime being 22 years (2021: 23 years).

At the end of 2022, the Group reviewed the decommissioning requirements and the assumptions used in the present value calculation and adjusted the obligation to EUR 683 765 as of 31 December 2022. The update was prepared by management and resulted in a net increase of EUR 171 245 from the ARO at 31 December 2021 of EUR 855 010.

As at 31 December 2022, the estimated undiscounted ARO obligation is EUR 1 222 491 (2021 – EUR 881 158). In addition to the undiscounted cost estimates, the primary assumptions that affect the present value calculation are the inflation rate and the discount rate. For the update prepared as at 31 December 2022, the Group used a short term inflation rate of 5.00% in period to 2025, but long term inflation of 2.0% after 2025 (2021: 2.00% all periods), and a discount rate of 2.45% (2021: 0.12%) in calculating the present value of the obligation. The inflation rate is based on current and projected inflation indices and the discount rate is based on the 30-year German government bond yield representing the long term risk free interest rate. The assessment is particularly sensitive to the inflation assumption. Should long-term inflation estimate increase to 3% from the used 2% assumption, ARO provision would increase by EUR 198 189 (2021 – EUR 297 321). Should the long-term inflation estimate decrease to 1% from the used 2% assumption, the ARO provision would decrease by EUR 149 601 (2021 – EUR 215 766).

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of liabilities represents the risk of default.

According to the Group's accounting policies and disclosure requirements fair value should be determined for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is classified into different levels of the fair value hierarchy based on the data used in the measurement approaches:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair values have been determined for measurement and disclosure purposes based on the below methods. Where necessary, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Impairment

(a) Financial assets

Financial assets are classified in the following measurement categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification depends on used business model for managing the financial assets and the contractual terms of the cash flows. Assets are classified as current assets, except for maturities over 12 months after balance sheet date, which are then classified as non-current assets.

Purchases and sales of financial assets are recognized on the settlement date. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Amortized cost category consists of liquid funds, trade receivables and other financial investments (loan receivables - where the business model is to hold the asset to collect the contractual cash flows which represent only payments of principal and interest, and investment in associate).

Financial assets recognized at amortized cost are valued using the effective interest method. Assets at fair value through profit or loss consists of derivatives. Gains or losses on derivative financial instruments are included in financial income and expenses.

Liquid funds consists of cash and cash equivalents and current investments. Cash and cash equivalents include cash in hand and bank and other highly liquid investments with original maturities of three months or less.

The Group recognises an allowance for expected credit losses (Further ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include

cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms, if relevant.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Financial assets, for which ECLs are calculated, are:

- Trade receivables and other receivables
- Loans to associate
- Cash at bank

Liquid funds

	31.12.2022.	31.12.2021.
Cash and cash equivalents	12 352 324	6 398 863

The maximum exposure to credit risk is the carrying amount of the liquid funds. Note Financial risk management sets out more information about credit risk. All cash equivalents are on demand deposits with reputable credit institutions in Republic of Latvia. These credit institutions are either investment grade or subsidiaries of investment grade credit institutions. Therefore impairment for liquid funds has not been recognized because the amount is assessed as immaterial both due to on demand nature and the high creditworthiness of the counterparties.

Trade receivables and other receivables

	31.12.2022.	31.12.2021.
Trade receivables	16 787 045	12 441 129
Due from related parties	11 565	6 513
Other receivables	273 474	504 552
Accrued income	3 839 054	265 859
Total trade receivables	20 911 138	13 218 053

The simplified expected credit loss model is applied for trade receivables according to IFRS 9. Impairment process is based on historical credit loss experience combined with current conditions and forward-looking macroeconomic analysis. The impairment or credit loss is recognized in the consolidated statement of income within other expenses. Due to the nature of short-term trade and other receivables their carrying amount is expected to be equal to their fair value. The maximum exposure to credit risk is the carrying amount of the trade and other receivables. Analysis of trade receivables by age, information about the impairment and credit losses are presented in Note 14.

Other financial investments

	31.12.2022.	31.12.2021.
Loan to an associate	1 524 543	278 400
Total other financial investments	1 524 543	278 400

The fair value of non-current Other financial investments is not materially different from the carrying amount which is also the maximum exposure to credit risk. No impairment losses have been recognized as there are no significant credit risks associated with the receivables.

The financial position of associated companies is considered to be strong with debt instruments of SIA Gulf Petrol Re amortised while its property assets are leased out to the Group on agreements that fully support the associate's ability to repay its creditors;

Gason SIA, in which the Group made an equity investment on 30 December 2021 becoming a 30% shareholder, has exceeded its planned financial targets in 2022 and has developed the range of services provided by the Group with mobile natural gas delivery solutions, propane gas solutions, and continues to integrate the corporate governance standards of Virši Group, and collaborate in the development and implementation of strategic objectives.

(b) Non- financial assets

Assets that are subject to amortization and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the consolidated statement of income to the extent that the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Intangible assets and property, plant and equipment are always tested for impairment, when there is any indication that an asset may be impaired. When the recoverable amount of an asset is less than the carrying amount, an impairment loss is recognized as an expense immediately and the carrying amount is reduced to the asset's recoverable amount. The amounts recoverable from cash generating units' operating activities are determined based on value in use calculations. Preparation of these estimates requires management to make assumptions relating to future expectations. The main assumptions used relate to the estimated future operating cash flows and discount rates.

Contingent liabilities and assets

Contingent liabilities are not recognised in these consolidated financial statements. Contingent liabilities are recognized as liabilities only when there is reasonable likelihood that an outflow of funds will be required. Contingent assets are recognized in these consolidated financial statements to the extent that there is reasonable likelihood that the Group will receive an inflow of economic benefits related to the transaction.

Revenue recognition

Revenue from contracts with customers is recognized when or as the Group satisfies a performance obligation by transferring control of a promised good or service to a customer. The transfer of control is based mainly on transferring risks and rewards according to the delivery terms. The group principally satisfies its performance obligations at a point in time; the amounts of revenue recognized relating to performance obligations satisfied over time are not significant. When, or as, a performance obligation is satisfied, the Group recognizes as revenue the amount of the transaction price that is allocated to that performance obligation.

The transaction price is the amount of consideration to which the group expects to be entitled in exchange for the promised goods or services. The transaction price is allocated to the performance obligations in the contract based on standalone selling prices of the goods or services promised. Revenue is presented net of indirect sales taxes such as value added tax, penalties and discounts.

Sale of oil products contains fuel product sales in wholesale and retail stations. Excise taxes included in the retail selling price of finished oil products are included in product sales. The corresponding amount is included in the purchase price of petroleum products and included in Cost of oil products and goods.

Retail sale of goods contains catering and sales of consumer products at Virši fuel stations besides oil products.

Corporate income tax

According to the Corporate Income Tax Law of the Republic of Latvia, the tax rate is 20%, the taxation period is one month and the taxable base, determined by dividing the value of the taxable item by a factor of 0.8, includes:

- distributed profit (dividends calculated, payments equivalent to dividends, conditional dividends) and
- conditionally or theoretically distributed profit (non-operating expenses, doubtful debts, excessive interest payments, loans to related parties, decrease of income or excessive expenses which are incurred by entering transactions at prices other than those on the market that should be calculated using the methodology determined by the Cabinet of Ministers, benefits bestowed by the non-resident upon its staff or board (Council members) regardless of whether the receiving party is a resident or a non-resident, if they relate to the operation of a permanent establishment in Latvia, liquidation quota).

The use of tax losses carried forward from previous periods is limited: it will be possible to utilise 15% these losses to decrease the amount of tax calculated on dividends in the reporting period by not more than 50%.

Deferred income tax is provided in full, using the liability method, on taxes carried forward losses and any temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Under the initial recognition exception, deferred tax is not initially recognized for an asset or liability in transactions a business combination if the transaction, when initially recognized, does not affect profit for financial or tax purposes. Deferred tax liabilities are not recognized for temporary differences on the initial recognition

of goodwill and subsequently for goodwill non-deductible for tax purposes. Deferred tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date and is expected to be effective in the periods in which the temporary differences reverse or are used to carry forward losses. Deferred tax is calculated at the rate applicable to retained earnings until a decision is taken on profit distribution. Thus, in Latvia where income tax is payable on distributed profits (such as dividends), the deferred tax liabilities or assets are recognized using the tax rate applicable to retained earnings.

When applicable, deferred tax is recognized at the Group level using the expected tax rate of the future dividend. Deferred tax assets and liabilities are mutually exclusive excluded only within the same company of the Group and only if certain criteria are met. Deferred tax asset in respect of temporary differences and tax losses carried forward is recognized to the extent that it is probable that taxable profit will be available against which the losses can be utilized.

The carrying amount of the deferred tax asset, if any, is reviewed at each reporting date and reduced to the extent that it is probable that future taxable profits will be available against which the deferred income tax can be utilized realization of the asset. Future taxable profits and possible amounts of tax benefits are estimated, on the basis of medium-term financial forecasts prepared by management and their extrapolated results. The financial forecast is based on management forecasts that are reliable and reasonable in the circumstances.

Significant accounting estimates and judgement in applying accounting policies

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, the actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period, in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty:

- Measurement of fair value of Property and Equipment
More detailed description of fair value measurement is disclosed in Note 1 heading Property and Equipment (ii) Fair value of property and equipment. Also refer to Note 10;
- Expected Credit Loss determination
More detailed description of fair value measurement is disclosed in Note 1 heading Fair value measurement. Also refer to Note 28;
- Provisions for asset retirement obligation
More detailed description of fair value measurement is disclosed in Note 1 heading Provisions. Also refer to Note 28.
- Measurement of fair value of derivatives

Derivatives are financial instruments whose value changes depending on the interest rate, securities price, foreign exchange rate, price index or rate, credit rating or changes in a similar flexible ratio, and which is impacted by one or several financial risks characteristic of the underlying financial instrument, and transferred from the Group to other parties to the transaction.

The Group uses derivatives such as commodity futures and other derivatives. Fair value is determined with reference to market prices. All derivatives are recognized as assets if their fair value is positive and liabilities if their fair value is negative. The Group has entered into 3 risk hedging agreements in the reporting period; however, hedge accounting has not been applied (refer to Note 28 and 29).

2. Net sales from other types of operations

By type of operating activity	2022	2021
Sale of oil products	309 075 927	185 194 011
Sales of goods in convenience stores	39 266 075	33 153 816
Energy	24 925 712	189 344
Other income	1 842 281	2 344 363
TOTAL:	375 109 995	220 881 534

By geographic market	2022	2021
Latvia	372 625 128	219 786 406
Other	2 484 867	1 095 128
TOTAL:	375 109 995	220 881 534

Contract liabilities under Trade and Other payables	31.12.2022.	31.12.2021.
Advances received	643 226	315 538
TOTAL:	643 226	315 538

Accrued income recognised is due from retail business partners for volume discounts in period, as well revenue from marketing activities. Revenue will be received during following quarter depending on compensation period contracted. The Contract liabilities included in Trade and Other payables primarily relates to the advance consideration received from customers for deliveries of fuel. This will be recognised in revenue when goods are delivered.

No information is provided about remaining performance obligations as at 31 December 2022 and 2021 that have an original expected duration of one year or less, as allowed by IFRS 15.

3. Cost of sales

	2022	2021
Cost of oil products and goods	340 361 451	193 380 866
Depreciation and amortization	105 986	95 671
Personnel expenses	142 739	124 218
Other costs related to property	4 574	4 423
Maintenance and repairs	55 047	39 318
Transport	34 769	71 897
Other expenses	1 633 975	1 303 623
TOTAL:	342 338 541	195 020 016

4. Selling expenses

	2022	2021
Personnel expenses	11 900 337	9 139 501
Depreciation and amortization	4 098 392	3 336 780
Other costs related to property	146 873	136 863
Maintenance and repairs of infrastructure	3 462 074	2 077 927
Marketing expenses	873 306	634 370
Transport	967 673	1 149 304
Other expenses	1 108 060	1 005 698
TOTAL:	22 556 715	17 480 443

5. Administrative expenses

	2022	2021
Personnel expenses	1 516 381	1 324 312
Depreciation and amortization	215 203	195 747
Other costs related to property	6 268	9 033
Maintenance and repairs of office	52 150	36 198
Transport	121 666	92 385
Professional services *	417 666	377 920
Other expenses	133 878	90 651
TOTAL:	2 463 212	2 126 246

* including total remuneration paid to certified auditors:

	2022	2021
SIA KPMG Baltics for audit of consolidated financial statements	52 400	61 200
SIA Deloitte Latvia for other expert engagements	17 200	18 750
SIA KPMG Baltics for other expert engagements	29 185	8 500
TOTAL:	98 785	88 450



6. Other operating income

	2022	2021
Profit from sales of property and equipment, net, incl:	7 807	-
Revenue from sales of property and equipment	183 924	-
Non-amortised value of disposed property and equipment	(176 117)	-
Income from an insurance compensation received	61 403	84 794
Proceeds from contract termination fees	945 856	-
Gain on currency exchange fluctuations, net	-	9 362
Other operating income	78 935	7 867
TOTAL:	1 094 001	102 023

7. Other operating expenses

	2022	2021
Loss from sales of property and equipment, net, incl:	-	12 491
Revenue from sales of property and equipment	-	(60 729)
Non-amortised value of disposed property and equipment	-	73 220
Changes in doubtful debt allowances	124 132	58 686
Loss on currency exchange fluctuations, net	55 736	-
Donations	87 122	21 080
Bank charges	45 791	40 851
Other operating expenses	644 297	157 877
TOTAL:	957 078	290 985

8. Corporate income tax

Corporate income tax recognised in the statement of comprehensive income

Corporate income tax is calculated by the Group according to the laws and regulations of the Republic of Latvia.

	2022	2021
Current tax	271 761	18 980
TOTAL:	271 761	18 980

Reconciliation of effective tax rate

Current corporate income tax expenses for the years ending on 31 December 2022 and 31 December 2021 is different from the theoretical tax amount that the Group would incur if profit before tax was taxed at the statutory rate of 20%:

	2022	2021
Profit before corporate income tax	10 641 795	6 634 747
Theoretical tax at 20%	2 128 359	1 326 949
Effect from retained earnings	(1 856 598)	(1 307 969)
Tax expenses	271 761	18 980

All retained profits of the Group for period until January 1, 2019, were distributed as dividends. Had all retained earnings been distributed as dividends at the reporting date the Group would have incurred a tax liability of EUR 7 631 057 (31.12.2022: EUR 5 158 377) at theoretical tax rate of 20%. In relation to potential deferred tax liabilities in subsidiaries of the Group relating to retained earnings the management assessed that such profit distribution is not expected in the foreseeable future and thus no deferred tax liabilities were recognised.



9. Intangible assets

	Concessions, patents, licenses, trademarks and similar rights	Other intangible assets	Creation of intangible assets	TOTAL
Historical cost				
31 December 2020	121 359	362 152	-	483 511
Additions	11 090	84 572	7 264	102 926
Disposals	(11 704)	-	-	(11 704)
Reclassifications	-	7 264	(7 264)	-
31 December 2021	120 745	453 988	-	574 733
Additions	66 983	105 255	-	172 238
Disposals	-	(32 294)	-	(32 294)
31 December 2022	187 728	526 949	-	714 677
Accumulated amortization				
31 December 2021	32 319	308 658	-	340 977
Calculated amortization	26 077	65 023	-	91 100
Accumulated amortization of disposed assets	(11 704)	-	-	(11 704)
31 December 2021	46 692	373 681	-	420 373
Calculated amortization	32 051	62 526	-	94 577
Accumulated amortization of disposed assets	-	(19 615)	-	(19 615)
31 December 2022	78 743	416 592	-	495 335
Carrying amount				
31 December 2020	89 040	53 494	-	142 534
31 December 2021	74 053	80 307	-	154 360
31 December 2022	108 985	110 357	-	219 342



10. Property and equipment

	Land, buildings and engineering structures	Leasehold improvements	Equipment and machinery	Other property and equipment	Construction in progress	Prepayments for property and equipment	TOTAL
Historical cost							
31 December 2020	47 768 487	1 293 906	7 785 646	4 896 417	1 445 837	251 690	63 441 983
Additions	3 519 765	198 449	1 008 423	1 302 237	7 121 043	571 337	13 721 254
Reclassification	5 328 167	126 847	1 629 416	372 220	(6 741 823)	(714 827)	-
Cost of disposed items of property and equipment	-	-	(119 252)	(181 332)	-	-	(300 584)
31 December 2021	56 616 419	1 619 202	10 304 233	6 389 542	1 825 057	108 200	76 862 653
Additions	2 744 361	154 670	1 117 812	919 071	4 966 833	161 793	10 064 540
Revaluation*	6 808 868	-	-	-	-	-	6 808 868
Reclassification	4 140 495	47 264	1 628 630	358 912	(6 175 301)	-	-
Cost of disposed items of property and equipment	(139 502)	-	(133 525)	(225 667)	-	-	(498 694)
31 December 2022	70 170 641	1 821 136	12 917 150	7 441 858	616 589	269 993	93 237 367
Accumulated depreciation and impairment							
31 December 2020	5 549 439	379 163	3 454 809	2 454 727	-	-	11 838 138
Depreciation, depreciation of the revalued part*	1 178 595	135 846	707 035	978 842	-	-	3 000 318
Impairment**	539 561	-	-	-	-	-	539 561
Accumulated depreciation of disposed property and equipment	(516)	-	(100 570)	(160 248)	-	-	(261 334)
31 December 2021	7 267 079	515 009	4 061 274	3 273 321	-	-	15 116 683
Depreciation, depreciation of the revalued part*	1 397 815	175 119	912 542	1 196 013	-	-	3 681 489
Impairment*	389 958	-	-	-	-	-	389 958
Accumulated depreciation of disposed property and equipment	(40 489)	-	(77 360)	(219 534)	-	-	(337 383)
31 December 2022	9 014 363	690 128	4 896 456	4 249 800	-	-	18 850 747
Carrying amount							
31 December 2020	42 219 048	914 743	4 330 837	2 441 690	1 445 837	251 690	51 603 845
31 December 2021	49 349 340	1 104 193	6 242 959	3 116 221	1 825 057	108 200	61 745 970
31 December 2022	61 156 278	1 131 008	8 020 694	3 192 058	616 589	269 993	74 386 620

* On 30 December 2022 the Group revalued property and equipment under category Land, buildings and engineering structures to fair value; property with addition date less than 18 months from reporting period has not been revalued. The result of revaluation (appreciation) was recorded in the accounting records of the Group on 30 December 2022. The revaluation was performed by certified real estate appraiser SIA Arco Real Estate. The valuation was based on the income and cost approach. The carrying amount of Land, buildings and engineering structures, had it not been presented at fair value as at 31 December 2022, would have been EUR 37 052 865 (2021: EUR 29 700 829), if the entire category was been accounted using the cost method.

**On 30 June 2021 the Group recognized impairment of two properties due to the decrease in operations in two gasoline stations as a result of COVID-19 pandemic. The Group applied value in use calculation with key assumptions being that revenue will stay flat over the next five years, and the WACC rate between 14,5% and 18,5%. As a result impairment in amount of EUR 539 561 was identified and the related revaluation surplus decreased by the same amount with no impact on profit or loss. All items of property and equipment under "Land, buildings and engineering structures" represent Level 3 fair value hierarchy.

The following table shows the valuation technique used in measuring the fair value of Land, buildings and engineering

structures, as well as the significant unobservable inputs used for 2022:

Type	Fair value, EUR (2022)	Valuation approach	Significant unobservable inputs	Inter-relation between significant unobservable inputs and fair value measurement
Filling stations with equipment	58 743 702	Discounted cash flows	<ul style="list-style-type: none"> - Discount rate ranging from 11% to 15.5% - Capitalisation rate ranging from 10% to 14.0% - Gross revenue assumption in year one for fuel sales from EUR 40 thousand to EUR 326 thousand - Gross revenue assumption in year one for store sales from EUR 54 thousand to EUR 333 thousand - Revenue growth from year 4 or 5 - 0.5% p.a. (exception the new petrol station with 5%-7% p.a. growth) 	Market value may increase (reduce) if: <ul style="list-style-type: none"> - Discount rate reduces (increases); - Initial gross revenue from fuel and store sales increases (reduces); - Maintenance cost of filling stations reduces (increases); - Forecast of changes in revenue increases (reduces).
Oil storage facility / railway network	2 015 000	Discounted cash flows / capitalisation of lease revenue	<ul style="list-style-type: none"> - Discount rate 17.5% - Capitalisation rate ranging from 7.5% to 15% - Rent of 0.11 EUR/m² (land) to 3.0 EUR/t (fuel) - Leased land/ transhipment capacity 49-95% annual utilisation - Revenue growth from year 3 0.5% - 1.0% p.a. 	Market value may increase (reduce) if: <ul style="list-style-type: none"> - Discount / capitalisation rate reduces (increases); - Rent increases (reduces); - Occupancy increases (reduces); - Maintenance cost of real estate properties reduces (increases); - Forecast of changes in revenue increases (reduces).
Commercial buildings	387 000	Discounted cash flows	<ul style="list-style-type: none"> - Discount rate 12.0%, capitalization rate 10.0 - 10.5% - Rent 1.00 - 3.00 EUR/m² - Occupancy rate 65 - 90% p.a. - Revenue growth from year 3 0.5% - 1.0% p.a. 	Market value may increase (reduce) if: <ul style="list-style-type: none"> - Discount rate reduces (increases); - Rent increases (reduces); - Occupancy increases (reduces); - Maintenance cost of real estate properties reduces (increases); - Forecast of changes in revenue increases (reduces).



11. Movements in right-of-use assets

	Leased Equipment and machinery	Leased real estate property	Total leased assets
Historical cost			
31 December 2020	1 885 441	1 823 722	3 709 163
Additions	626 572	243 299	869 871
Cost of disposed items of property and equipment	(73 498)	-	(73 498)
Write-offs	-	(27 845)	(27 845)
31 December 2021	2 438 515	2 039 176	4 477 691
Additions	367 015	280 581	647 596
Cost of disposed items of property and equipment	(48 688)	-	(48 688)
31 December 2022	2 756 842	2 319 757	5 076 599
Accumulated depreciation and impairment			
31 December 2020	922 565	470 300	1 392 865
Charge for the period	297 962	238 818	536 780
Accumulated depreciation of disposed property and equipment	(67 373)	-	(67 373)
31 December 2021	1 153 154	709 118	1 862 272
Charge for the period	383 473	260 042	643 515
Accumulated depreciation of disposed property and equipment	(46 561)	-	(46 561)
31 December 2022	1 490 066	969 160	2 459 226
Balance as at 31 December 2020	962 876	1 353 422	2 316 298
Balance as at 31 December 2021	1 285 361	1 330 058	2 615 419
Balance as at 31 December 2022	1 266 776	1 350 597	2 617 373

12. Investments in associates

From 1 July 2016, the Group holds a 30% interest in SIA Gulf Petrol RE and on 30 December 2021 the Group made an investment in SIA GasOn, and on 31 May 2022 the Group made an investment in AS Skulte LNG Terminal and acquired a 19.23% holding.

The investment in the associated company is carried according to the equity method.

	31.12.2022	31.12.2021
SIA "Gulf Petrol RE"		
Ownership interest in the associate	30%	30%
Non-current assets	1 083 902	1 114 161
Current assets	40 182	42 075
Non-current liabilities	(840 100)	(919 700)
Current liabilities	(35 964)	(36 714)
Net assets	248 020	199 822
Share in Net asset value (30%)	74 406	59 947
Turnover	113 300	113 300
Comprehensive income, net	48 197	9 302
Group's share in comprehensive income (30%)	14 459	2 791
Retained profits (30%)	17 887	15 096
Investment in associate, nominal	42 060	42 060
Investment in associate, net	74 406	59 947

	31.12.2022	31.12.2021
SIA "GasOn"		
Ownership interest in the associate	30%	30%
Non-current assets	4 020 445	2 413 896
Property and equipment	4 020 445	2 413 896
Current assets	1 499 976	1 249 662
Inventories	409 785	290 096
Trade receivables	370 718	236 346
Other receivables and contract expenses	577 680	516 647
Cash and cash equivalents	141 793	206 573
Non-current liabilities	(3 287 231)	(1 015 247)
Other loans	(3 287 231)	(1 015 247)
Current liabilities	(275 730)	(833 576)
Other loans	(119 015)	(279 663)
Trade receivables	(156 715)	(553 913)
Net assets	1 957 460	1 814 735
Share in net asset value (30%)	587 238	544 421
Goodwill	955 579	955 579
Total identifiable assets acquired		1 500 000
Asset value as at 31 December 2022	1 542 817	
Turnover	2 893 500	-
Comprehensive income, net	142 723	-
Group's share in comprehensive income (30%)	42 817	-
Retained profits (30%)	-	-
Investment in associate, nominal	1 500 000	-
Investment in associate, net	1 542 817	-

The acquisition of Gason SIA was completed with a cash consideration of EUR 1 500 000. The valuation techniques used to measure the fair value of the tangible assets acquired were: The market comparison method for inventories, based on the estimated selling price of the inventories in the ordinary course of business.

The receivables at the time of acquisition consisted of gross contractual amounts of EUR 236 346, net of allowances for irrecoverability.

At the time of acquisition, favourable gas purchase contracts were identified within other receivables and contract costs.

At the time of acquisition, a fair value of EUR 502 900 was recognised by comparing the terms of these contracts with current market conditions.

The fair value of property and equipment of EUR 2 413 896 is provisionally estimated based on the cost method on the basis of the actual cost of acquisition and construction, assuming that the construction was completed shortly before the acquisition date.

Liabilities are evaluated using current contractual rates for which deviation with market rates where not identified.

The goodwill recognised is attributable mainly to synergies expected to be achieved from integrating the company into the Group, skills and technical talent of SIA Gason employees and technology owned by the company. At the time of recognition of goodwill, the Group assessed that goodwill should not be impaired based on the assumptions used at the time of acquisition of the investment in the associate. The assumptions included a projected annual revenue growth over the next five years of 35% and an equity payout of 12%.

Goodwill impairment testing performed on actual associate data at reporting date, no impairment risks identified.

13. Inventories

	31.12.2022	31.12.2021
Auxiliary materials	526 556	449 187
Fuel	6 123 329	8 993 977
Other goods	2 413 920	1 932 382
Prepayments for inventories	246 612	423 931
TOTAL:	9 310 417	11 799 477

In the reporting period, the net realisable value of inventories was equal to the carrying amount. No provisions are recognised for net realisable value of inventories as at 31 December 2022 and as at 31 December 2021.

14. Trade receivables

	31.12.2022	31.12.2021
Carrying amount of trade receivables	17 376 609	12 961 575
Impairment allowance	(589 564)	(520 446)
TOTAL:	16 787 045	12 441 129

	31.12.2022	31.12.2021
Accured income	3 839 054	265 859
TOTAL:	3 839 054	265 859

Increase in accrued income is explained with the increase in the sales of electricity, where invoices for provided services

are typically issued and paid in the month following the month where services delivered.

Overdue days under IFRS 9	ECL rate	Receivable	Impairment	ECL rate	Receivable	Impairment
		31.12.2022		31.12.2021		
Not past due	0.1%	20 195 093	20 195	0.1%	11 806 708	11 807
Overdue by 1-30	0.2%	509 847	1 020	0.2%	570 089	1 140
Overdue by 31-60	0.9%	47 265	425	0.9%	93 068	838
Overdue by 61-90	2.4%	19 228	461	3.2%	39 793	1 273
Overdue by 91-180	5.8%	28 498	1 653	6.2%	9 981	619
Overdue by 181-360	11.8%	90 995	10 737	12.9%	-	-
Overdue by > 360	100.0%	324 737	324 737	100.0%	441 936	441 936
Total		21 215 663	359 228		12 961 575	457 613
Individual allowance			230 336		62 833	62 833
Total doubtful debt allowance			589 564		520 446	520 446

Impairment allowance for receivables as at 31.12.2020	510 953
Additions	59 509
Released for written-off receivables	(50 016)
Impairment allowance for trade receivables as at 31.12.2021	520 446
Additions	124 132
Decrease of allowances due to write-off of debts	(55 014)
Impairment allowance for trade receivables as at 31.12.2022	589 564

Impairment allowances are assessed by the Group based on the ECL rate and valuation of individual debtors.



15. Cash and cash equivalents

	31.12.2022	31.12.2021
Cash in bank and on hand	11 181 653	5 750 581
Money in transit	1 170 671	648 282
TOTAL:	12 352 324	6 398 863

16. Share capital and reserves

Share capital

Share capital of the Group in 2022 is EUR 7 557 210.50 (2021: EUR 7 545 605), comprised of 15 114 421 shares (2021: 15 091 209). Nominal value per share is EUR 0.50 (2021: EUR 0.50). All shares are fully paid up.

In 2022, the Group continued its employee share option programme by making the first conversion of options, increasing the share capital and issuing additional 23 212 shares for a total nominal value of EUR 11 606.

During 2020 and 2021, reorganisation was carried out in AS "Virši-A" and its Group companies. The shareholders invested 100% shares of subsidiaries in Parent as a contribution in kind. The investment was valued by external valuers and their valuation results laid the basis for recognising the increase in share capital.

The management suggests that the shareholders distribute 20% of profit of 2022 or EUR 2 074 007 (2021: 20%, EUR 1 323 153) during 2023

Earnings per share

The calculation of earnings per share before dilution has been based on the following profit attributable to ordinary shareholders and weighted number of ordinary shares outstanding.

	2022	2021
Profit for the year, attributable to the owners of the Company	10 370 034	6 615 767
Weighted average number of shares	15 093 143	13 593 458
Earnings per share	0.69	0.49

The calculation of earnings per share after dilution has been based on the following profit attributable to ordinary shareholders and weighted number of ordinary shares outstanding, adjusted for the impact of the share option programme.

	2022	2021
Profit for the year, attributable to the owners of the Company	10 370 034	6 615 767
Weighted average number of shares	15 123 232	13 601 346
Earnings per share	0.69	0.49

Denomination, issue and IPO of shares

In 2021, prior to the the Initial Public Offering (IPO) the Company denominated shares by changing their nominal value from EUR 140 to EUR 0.50 per share. As a result of this exercise, the number of shares increased to 13 355 720, with the total equity remaining unchanged.

After assessing the Group's development outlook and historical performance the shareholders decided to launch the IPO, which resulted in the issue of 1 735 489 shares. The IPO helped the Group attract new capital of EUR 7 792 346. The share premium is EUR 3.99. The capital raising costs of EUR 566 074 were deducted from the funds raised, resulting in a total impact of EUR 7 226 272 from the capital increase in the IPO.

Share options

Alongside the IPO, the Group management developed a new share option programme aimed at supporting growth through motivating senior management and appreciating the contribution of long-term employees.

The share option programme was established for key management personnel and senior employees. Under the terms of the programme, holders of options granted will be entitled to receive their shares at the end of the exercise period. The total amount of share options vested is 53 301. The purchase price is set at EUR 0 and all shares will vest at the end of the three-year exercise period. The key inputs used to measure the fair value of share options were the Company's share price at the time the share options were granted.

During 2022, a first option conversion was carried out, increasing the share capital and issuing additional 23 212 shares for a total value of EUR 11 606.



Revaluation reserve

The revaluation reserve relates to Land, buildings and engineering structures valuation at fair value..

	31.12.2022	31.12.2021
Revaluation reserve from Land, buildings and engineering structures revaluation	26 123 808	19 648 511
	26 123 808	19 648 511
Balance as at 31.12.2020		20 714 459
Changes in revaluation reserves		(1 123 035)
Revaluation of Land, buildings and engineering structures (Note 10)		(539 561)
Reclassification to retained earnings (Consolidated statement of Changes in Equity)		(583 474)
Provisions for asset retirement obligation (Note 19)		57 087
Balance as at 31.12.2021		19 648 511
Changes in revaluation reserves		6 229 659
Revaluation of Land, buildings and engineering structures (Note 10)		6 808 868
Reclassification to retained earnings (Consolidated statement of Changes in Equity)		(579 209)
Provisions for asset retirement obligation (Note 19)		245 638
Balance as at 31.12.2022		26 123 808

Other reserves

During 2020, the Group's legal structure was reorganized. On 15 September 2020, the shareholders made an in-kind contribution into the share capital of the Parent Company by investing shares of a number of companies. Prior to the contribution, all these entities were under common control. As all these entities were under common control, it was decided to present the consolidated financial statements for 2020 as if the Group had been formed prior to 1 January 2019. When the in-kind contribution was made in 2020 the increase in the registered share capital was determined based on the fair value of the entities determined by an independent appraiser. However, the consolidated financial statements of the Group subsidiaries were incorporated in these consolidated financial statements based on the accounting principles described in Section Summary of significant accounting policies. Therefore, upon the legal reorganisation an increase in the share capital was recorded and a corresponding decrease to other reserves in the amount of EUR 5 764 520 was recorded.

During 2021, the Group developed an employee share option programme and diverted EUR 33 356 to other reserves to pay share capital at the date of conversion. In 2022, the Group continued its employee share option programme by making the first conversion of options, increasing the share capital and issuing additional 23 212 shares for EUR 11 606.

Balance as at 31.12.2020	(4 206 039)
Employee share option scheme	33 356
Balance as at 31.12.2021	(4 172 683)
Employee share option scheme	137 023
Conversion of options	(11 606)
Balance as at 31.12.2022	(4 047 266)

17. Loans from credit institutions

Non-current	31.12.2022	31.12.2021
Loans from a credit institution registered in the Republic of Latvia	17 546 599	14 459 648
Including:		
Long term part of loans repayable in up to 5 years	17 546 599	14 459 648
Long term part of loans repayable after 5 years until maturity	-	-
Short-term	31.12.2022	31.12.2021
Loan from a credit institution registered in the Republic of Latvia	3 862 190	2 382 759
TOTAL:	21 408 789	16 842 407

During 2022, the Group obtained a loan of EUR 7.0 million to expand and modernise the network of filling stations (2021: EUR 8.0 million).

As at the reporting date, the Group has access to an unutilized credit line facility which is prolonged on an annual basis. The facility limit is EUR 2.0 million.

All loans carry interest rates of 3M or 6M EURIBOR plus an added rate. The added rates range from 1.55 % to 1.80%.

The loans are secured by mortgages of underlying real estate properties (filling stations with all equipment), a commercial pledge, a financial pledge and guarantees by group companies and shareholders.

Loan covenants:

According to the contracts, the Group should provide credit institutions with their annual reports, pro-forma balance sheets, income statements, statements of cash flows and insurance policies of mortgaged properties. These covenants are met.

The DSCR ratio should be at least 1.50, Net Debt/EBITDA should not exceed 3.00. These ratios are complied with. A certain turnover should be ensured in the accounts with the financing credit institution. These covenants are complied with.

18. Other loans

Long term:	31.12.2022	31.12.2021
Interest-free, unsecured loan from the shareholders	5 491 216	6 082 854
TOTAL long-term loans:	5 491 216	6 082 854
Short term:		
Interest-free, unsecured loan from the shareholders	700 000	700 000
TOTAL other short-term loans:	700 000	700 000
TOTAL other loans:	6 191 216	6 782 854
Nominal value total:		
Interest-free, unsecured loan from the shareholders	7 155 524	7 856 101

Shareholder loans are carried at amortized cost using the discounted cash flow method with the difference between the nominal and fair value upon initial recognition recognised under Other reserves. Finance expenses include interest expenses on the loan in accordance with the amortized cost method. The term structure of shareholder loans is disclosed according to budgeted cash flow and according to effective loan agreements, and according to covenants of the loan agreement with a financial institution.

19. Provisions for asset retirement obligation

Balance as at 31 December 2020	788 922
Change in Revaluation reserve from Land, buildings and engineering structures revaluation	65 141
Provision made during the period	122 228
Change in discount rate	(69 560)
Change in estimates	12 473
Unwinding of discounting	947
Balance as at 31 December 2021	855 010
Provision made during the period	53 445
Change in discount rate	(502 093)
Change in estimates	256 455
Unwinding of discounting	20 948
Balance as at 31 December 2022	683 765

The Group's accounting policy concerning the asset retirement obligation refer to Note 1.

20. Lease liabilities

Lease liabilities arise from right-of-use assets disclosed on the balance sheet under Right-of-use assets (Note 11). The present value of future lease payments is calculated using the effective interest rate applicable to the specific category of property and equipment in the reporting period. The average rate is 2.57% p.a. (2021: 2.17% p.a.).

Balance as at 31 December 2021	2 137 378
Acquired and recognised lease modifications	941 569
Repayment of lease liabilities	(767 223)
Recognised interest expenses on lease	40 472
Balance as at 31 December 2021, including:	2 352 196
Non-current lease liabilities	1 706 813
Current lease liabilities	645 383
Balance as at 31 December 2021	2 352 196
Acquired and recognised lease modifications	647 596
Repayment of lease liabilities	(787 725)
Recognised interest expenses on lease	48 572
Balance as at 31 December 2022, including:	2 260 639
Non-current lease liabilities	1 804 362
Current lease liabilities	456 277

	Carrying amount	Contractual cash flows (undiscontd.)
31 December 2021		
Lease liabilities, including:	2 352 196	2 492 349
Amount payable within one year, i.e. current lease liabilities	645 383	683 607
Amount payable within 2- 5 years	1 261 801	1 332 829
Amount payable in more than 5 years	445 012	475 913
31 December 2022		
Lease liabilities, including:	2 258 886	2 425 968
Amount payable within one year, i.e. current lease liabilities	456 277	505 669
Amount payable within 2- 5 years	1 320 841	1 416 438
Amount payable in more than 5 years	481 768	503 860
	2022	2021
Lease		
Interest on lease liabilities	48 572	40 472
Right of use amortisation	417 331	373 371
Expenses relating to short-term leases	207 273	186 665
	673 176	600 508

Amounts recognised in the statement of cash flows

Total cash outflow for leases 2022	787 725
Total cash outflow for leases 2021	767 223

21. Movements in financing

	Loans from credit institutions	Other loans	Lease liabilities	Total
Carrying amount at 31 December 2020	10 976 705	7 624 790	2 137 379	20 738 874
Loan principal repaid	(2 134 298)	(1 059 430)	-	(3 193 728)
Lease payments	-	-	(756 781)	(756 781)
Cash flows from financing activities	(2 134 298)	(1 059 430)	(756 781)	(3 950 509)
New loans from credit institutions	8 000 000	-	-	8 000 000
New lease liabilities	-	-	941 569	941 569
Interest expenses	243 320	-	10 443	253 763
Financial expenses including unwinding of discount	-	217 494	30 029	247 523
Interest paid	(243 320)	-	(10 443)	(253 763)
Total changes in liabilities	5 865 702	(841 936)	214 817	5 238 583
Carrying amount at 31 December 2021	16 842 407	6 782 854	2 352 196	25 977 457
Loan principal repaid	(2 433 618)	(700 000)	-	(3 133 618)
Lease payments	-	-	(773 355)	(773 355)
Cash flows from financing activities	(2 433 618)	(700 000)	(773 355)	(3 906 973)
New loans from credit institutions	7 000 000	-	-	7 000 000
New lease liabilities	-	-	647 596	647 596
Interest expenses	432 971	-	14 370	447 341
Financial expenses including unwinding of discount and changes in rate estimate	-	108 362	34 202	142 564
Interest paid	(432 971)	-	(14 370)	(447 341)
Total changes in liabilities	4 566 382	(591 638)	(91 557)	3 883 187
Carrying amount at 31 December 2022	21 408 789	6 191 216	2 260 639	29 860 644

Finance expenses:	2022	2021
Interest expense from unwinding the discount on a shareholder loan	108 362	217 494
Interest expenses for bank loans	432 971	243 320
Interest expenses for a lease	48 572	40 472
Other financial expenses	28 079	947
TOTAL:	617 984	502 233



22. Accrued liabilities

	31.12.2022	31.12.2021
Due to suppliers	3 422 368	1 402 079
Due to personnel	589 334	523 965
TOTAL:	4 011 702	1 926 044

23. Expenses by nature

	2022	2021
Cost of materials	340 361 451	193 380 866
Employee payroll and benefits	13 559 457	10 588 031
Depreciation and amortization	4 419 581	3 628 198
Property and maintenance expenses	3 726 986	2 303 762
Logistics	1 124 106	1 313 586
Marketing	873 306	634 370
Finance income and expenses	(2 753 345)	(568 880)
Consultancy	417 666	377 920
Corporate income tax for the reporting year	271 761	18 980
Other	2 738 989	2 588 934
TOTAL:	364 750 996	214 265 766

24. Tax liabilities and tax assets

	31.12.2022	31.12.2021
Social security contributions	321 821	240 707
Personal income tax	146 123	110 503
Excise tax	3 430 200	2 658 398
Corporate income tax	(1 146)	18 980
Value added tax	781 097	363 715
Natural resources tax	867	715
Real estate tax	(878)	(370)
Company car tax	114	48
Business risk state duty	1 737	783
Total tax liabilities:	4 681 959	3 393 849
TOTAL tax receivables:	(2 024)	(370)

Tax receivables are represented by Corporate income tax receivable and Real estate tax receivable. Real estate tax receivable is part of Other receivables caption of the balance sheet as at 31 December 2022.

25. Personnel costs and number of staff

	2022	2021
Remuneration	10 928 130	8 535 373
Compulsory state social security contributions	2 541 374	1 997 892
Expenses for reporting period include:		
Other personnel cost	89 953	54 766
TOTAL:	13 559 457	10 588 031

	2022	2021
Including remuneration key management		
Members of the Board and Council		
Remuneration	550 593	511 377
Compulsory state social security payments	109 623	120 515
TOTAL:	660 216	631 892

	2022	2021
Average number of employees in the reporting year:		
Members of the Council	6	6
Members of the Board	3	3
Other staff	752	631
TOTAL:	761	640

26. Financial commitments, guarantees or other contingencies

The Group companies are not involved in litigation proceedings dealing with claims raised against AS Virši-A or its subsidiaries. The Group has raised claims against debtors to recover receivables and there are ongoing litigations. Any recoveries obtained from litigation are recognised as revenue as received. As at the reporting date there are no significant financial commitments, guarantees or other contingencies, except those referred to above.



27. Related party transactions

The Group had transactions with related parties during the reporting year. The most significant transactions and amounts are the following:

Related party:	Description of transaction	Transactions in the period ended		Balance outstanding	
		31.12.2022.	31.12.2021.	31.12.2022.	31.12.2021.
Associate					
Balances	Loan to an associate	-	-	1 432 746	278 400
Balances	Accrued interest	-	-	10 620	527
Balances	Right-of-use assets	-	-	415 226	521 382
Balances	Lease liabilities	-	-	(435 025)	(538 978)
Comprehensive income	Interest income	40 201	6 419	-	-
Comprehensive income	Interest expenses	(8 847)	(10 700)	-	-
Companies related through shareholders					
Balances	Prepayments for services	-	-	117 937	203 243
Balances	Receivable for services	-	-	564	6 513
Comprehensive income	Income from agent services	11 143	55 797	-	-
Comprehensive income	Fuelling services	(1 114 306)	(5 576 343)	-	-
Shareholders					
Balances	Shareholder loan	-	-	(6 191 216)	(6 782 854)
Comprehensive income	Interest expenses	(108 362)	(217 494)	-	-
Members of the Board and Council					
Balances	Remuneration payable	-	-	(21 192)	(21 047)
Balances	Compulsory state social security payable	-	-	(7 167)	(7 100)
Comprehensive income	Remuneration	(550 593)	(511 377)	-	-
Comprehensive income	Social security contributions	(109 623)	(120 515)	-	-

28. Fair value of financial assets and liabilities

Financial assets and liabilities measured at fair value

The table below analyses the fair values of financial assets and liabilities measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised

31 December 2022	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Derivatives	-	-	10 156 686	10 156 686	10 156 686
Loan to an associate	-	-	1 271 343	1 271 343	1 271 343
Financial liabilities					
Derivatives	-	-	5 954 555	5 954 555	5 954 555
31 December 2021					
Financial assets					
Derivatives	-	-	3 535 035	3 535 035	3 535 035
Financial liabilities					
Derivatives	-	-	2 473 619	2 473 619	2 473 619

Financial assets and liabilities not measured at fair value

The table below analyses the fair values of financial assets and liabilities not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised.

31 December 2022	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Loan to an associate	-	-	-	253 200	253 200
Trade receivables	-	-	-	16 787 045	16 787 045
Due from related parties	-	-	-	11 565	11 565
Other receivables	-	-	-	273 474	273 474
Cash and cash equivalents	-	-	-	12 352 324	12 352 324
Financial liabilities					
Loans from credit institutions	-	-	19 488 992	19 488 992	21 408 789
Other loans	-	-	5 517 498	5 517 498	6 191 216
Trade and other payables	-	-	-	20 897 107	20 897 107

Other financial investments, trade receivables and cash and cash equivalents have their remaining maturities of less than one year and carry no interest, thus, their fair value is deemed not to materially differ from their carrying amounts.

31 December 2022	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Loan to an associate	-	-	-	278 400	278 400
Trade receivables	-	-	-	12 441 129	12 441 129
Due from related parties	-	-	-	6 513	6 513
Other receivables	-	-	-	504 552	504 552
Cash and cash equivalents	-	-	-	6 398 863	6 398 863
Financial liabilities					
Loans from credit institutions	-	-	16 129 613	16 129 613	16 842 407
Other loans	-	-	6 813 448	6 813 448	6 782 854
Trade and other payables	-	-	-	16 767 329	16 767 329

Other financial investments, trade receivables and cash and cash equivalents have their remaining maturities of less than one year and carry no interest, thus, their fair value is deemed not to materially differ from their carrying amounts.

The table below sets out the valuation techniques used to measure Level 3 fair value, as well as the most significant unobservable inputs for assets and liabilities, where fair value adjustment is applied:

Type	Valuation approach	Significant unobservable data
Derivatives – electricity swap agreements	Discounted cash flow, NPV	Spread in the Latvian market in excess of the electricity market price data in the Nord pool.
Derivatives – loans to an associates	Discountes cash flow, Black-Scholes model	The discount rate is based on the interest rate implied from comparable borrowing at market rate in reporting period. Associate value assumed to be fixed to investment date.
Trade receivables	Expected credit loss, IFRS 9	Expected credit loss assumptions are described in Note 9.
Other loans	Discounted cash flow, NPV	It is assumed that the loan repayment structure is in line with budgeted cash flows and bank loan covenants. The discount rate is based on the weighted average discount rate for non-banking institutions during the loan issue period, reported by the Bank of Latvia evaluated against the cost of funds for collateralised borrowings of the Group.
Lease liabilities	Discounted cash flow, IFRS 16	Lease liabilities are calculated according to IFRS 16; discount rates are applied according to the type of leased asset and available financing rate for specific assets from financial institutions.

	Derivatives – electricity swap agreements	Derivatives – loans to an associates
Balance as at 31 December 2020	-	-
Gain included in finance income		
Net change in fair value (unrealised)	1 061 416	-
Purchases	-	-
Balance as at 31 December 2021	1 061 416	-
Gain included in finance income		
Net change in fair value (unrealised)	3 168 914	71 343
Realised value of financial instruments	(28 199)	-
Loan issued	-	1 200 000
Interest income	-	25 092
Interest income received in reporting period	-	(18 346)
Balance as at 31 December 2022	4 202 131	1 278 089

The fair value gain described above is recognised in the consolidated statement of comprehensive income under net finance income in the corresponding period.

For the sensitivity analysis in relation to derivative swaps please refer to Note 29.

At the beginning of 2022, the Group issued a loan with equity conversion features that required the loan to be carried at fair value. The key unobservable assumptions relate to the applicable discount rate for the loan element and the value of the option element included - the value of the associated company and its fair value volatility. The sensitivity analysis for alternative assumptions is presented in the table below:

Unobservable element	Change in assumption	Impact of the change
Change in interest rate of the loan element	+/- 100 base points	+/- 18 913
Change in volatility of fair value of the associated company	10%	+/- 44 473
Changes in the value of the associated company	10%	+/- 43 390

29. Management of financial risks

The Group is exposed to financial risks. Financial risks include market risk, credit risk and liquidity risk. Below is a description of each of these financial risks and a summary of the methods used by the Group to manage these risks. Exposure to those risks arises in the normal course of the Group's business.

The Group's financial assets and liabilities, including, trade receivables, inventories, cash and cash equivalents, loans, trade payables are exposed to financial risk as follows:

- Market risk: risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities, including interest rate risk and currency risk;
- Credit risk: risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of counterparties and any debtors to which Group is exposed, in the form of counterparty default risk, or market risk concentrations;
- Liquidity risk: risk that the Group is unable to realise its assets in order to settle its financial obligations when they fall due.

Market risk

Currency risk and revaluation

The functional and reporting currency of the Group is Euro (EUR), the official currency of the states of the European Union. The objective of foreign exchange risk management in the Group is to limit the uncertainty created by changes in foreign exchange rates on the future value of cash flows and earnings, and in the Group's balance sheet. Generally, this is done by contracting transactions in Euro or hedging currency risks in contracts. All transactions in foreign currencies are revalued to euro in accordance with the reference exchange rate published by the European Central Bank on the transaction date. All monetary assets and liabilities denominated in foreign currencies are translated to Euro in accordance with the reference exchange rate published by the European Central Bank on the last day of the reporting period. Differences arising on payments in currencies or disclosures of assets and liabilities using exchange rates other than those used for initial booking of transactions are recognized in the profit and loss statement at net amount. There are no assets in foreign currencies as at the reporting date. There has been no change to policies in relation to currency risk management during the reporting period.

Interest rate risk

The Group is exposed to a interest rate risk both in the short- and long-term. A change in interest rates may affect the cost of funds borrowed by the Group as well as the size of cash flows. To mitigate this risk, the Group is constantly monitoring market conditions, taking measures to improve the debt structure by reaching an optimum balance between fixed and variable interest rates, controlling the need for additional financing. There has been no change to policies in relation to interest rate risk management during the reporting period. A reasonably possible change of 100 basis points in interest rates at 31 December 2022 and 31 December 2021 would have increased (decreased) profit (loss) before taxes by

+/- EUR 198 410 (2021: +/- EUR 145 465). This analysis assumes that all other variables remain constant.

Credit risk

Credit risk is the risk that the Group may incur financial losses if parties to the transactions fail to fulfil their liabilities under the contracts, and credit risk is primarily connected with trade receivables and investment securities.

Credit risk mainly arise from the potential failure of the counterparty to meet its contractual payment obligations, and the risk depends on the creditworthiness of the counterparty as well as the size of the exposure.

For the purposes of credit risk management, the Group's management has established a procedure that sales of goods or services against payments on delivery or completion are made based on client evaluation procedures and certain limits are set on the amount of such sales. The management has developed a credit policy which includes regular control procedures over debtors to ensure identification of problems on a timely basis.

The objective of credit policy and risk management is to minimise the losses incurred as a result of a counterparty not fulfilling its obligations. Limits, mandates and management principles for credit and counterparty risk are covered in the Corporate risk management policy and separate principle and instruction level documents.

The amount of risk is quantified as the expected loss to Group in the event of a default by the counterparty. Credit risk limits are set at the Group level, designated by different levels of authorization, which are responsible for counterparty risk management within these limits. When determining the credit lines for sales contracts, counterparties are screened and evaluated vis-à-vis their creditworthiness to decide whether an open credit line is acceptable or collateral, for example, a letter of credit, bank guarantee or parent guarantee has to be posted. In the event that collateral is required credit risk is evaluated based on a financial evaluation of the party posting the collateral. If appropriate in terms of the potential credit risk associated with a specific customer, advance payment is required before delivery of products or services.

The carrying amount of financial assets represents the maximum exposure to credit risk.

Detailed disclosure and aging analysis provided in Trade receivables disclosure of the consolidated Financial statement. (refer to Note 14.)

Financial instruments are used by the Group and it is potentially exposed to concentrations of credit risk which consist primarily of cash equivalents, over-the-counter production contracts and trade receivables. The cash and cash equivalents are held with banks, which are generally highly rated.

There has been no change to policies in relation to credit risk management during the reporting period.

Liquidity risk

Liquidity risk is defined as financial distress or extraordinarily high financing costs arising due to a shortage of liquid funds in a situation where business conditions unexpectedly deteriorate and require financing. The objective of liquidity risk management is to maintain sufficient liquidity and to ensure that it is available fast enough to avoid uncertainty related to financial distress at all times. The Group's liquidity is managed centralised and monitored on continuous basis. Target Net

debt/ EBITDA ratio on consolidated basis is 1.5 – 2.5 and IFRS 16 unadjusted current ratio is above 1.0.

The principal source of liquidity of the Group is expected to be cash generated from operations. In addition, the Group seeks to reduce liquidity and refinancing risks by maintaining

a diversified maturity profile in its loan portfolio. (See also Note 17).

Certain other limits have also been set to minimize liquidity and refinancing risks. There has been no change to policies in relation to liquidity risk management during the reporting period.

31 December 2022	Carrying amount	Contractual cash flows (undiscounted.)	0-6 months	6-12 months	1Y	2Y	3Y	4Y	5Y	Over 5 years
Loans from credit institutions	21 408 789	23 362 597	2 295 892	2 373 847	7 282 770	4 365 761	4 763 940	2 280 387	-	-
Other loans	6 191 216	7 155 524	350 004	350 004	700 008	700 008	700 008	700 008	700 008	2 955 476
Derivatives	5 954 555	5 954 555	152 938	191 104	1 405 713	1 462 920	1 391 088	1 350 792	-	-
Trade and other payables	20 897 064	20 897 064	20 897 064	-	-	-	-	-	-	-
Accrued liabilities	4 011 702	4 011 702	4 011 702	-	-	-	-	-	-	-
Total financial liabilities	58 463 326	60 191 246	27 451 192	2 683 181	9 034 803	6 325 304	6 721 504	4 319 778	700 008	2 955 476

31 December 2021	Carrying amount	Contractual cash flows (undiscounted.)	0-6 months	6-12 months	1Y	2Y	3Y	4Y	5Y	Over 5 years
Loans from credit institutions	16 842 407	17 552 145	1 270 920	1 379 846	3 198 901	5 842 725	3 091 519	2 768 234	-	-
Other loans	6 782 854	7 855 532	375 000	375 000	750 000	750 000	750 000	750 000	750 000	3 355 532
Derivatives	2 473 619	2 473 619	6 071	-	550 788	436 284	475 388	501 668	503 420	-
Trade and other payables	16 767 329	16 767 329	16 767 329	-	-	-	-	-	-	-
Accrued liabilities	1 926 044	1 926 044	1 926 044	-	-	-	-	-	-	-
Total financial liabilities	44 792 253	46 574 669	20 345 364	1 754 846	4 499 689	7 029 009	4 316 907	4 019 902	1 253 420	3 355 532

Commodity price risk

Commodity price risks in the Group are affected by market prices for crude oil, renewable energy sources and the introduction of CNG in the market for natural gas and electricity. While the consumption of natural gas and electricity in the Group remained relatively low to the reporting date, the price of crude oil remained a significant driver behind the turnover and cost of products dynamics.

The price of crude oil is subject to significant fluctuations resulting from a periodic over-supply and supply tightness in various regional markets, coupled with fluctuations in demand globally and in the local market. The results of operations of the Group in any given period are principally driven by the demand for and prices of oil and renewable products relative to the supply and cost of raw materials. These factors drive operational performance and cash flows in the fuel business of the Group.

In order to offset the dependence on crude oil prices globally the Group has a number of measures in place – it owns a storage facility that helps mitigate short-term volatilities; sustainable fuel alternatives are being introduced in the market and the Group's portfolio (CNG, electricity); there is ongoing development of retail stores and catering in fuel stations. As a result, the proportion of growing operating profits in the portfolio is driven by crude oil products and the decreased price dependence. There has been no change to policies

in relation to commodity price risk management during the reporting period except as outlined below.

In June 2021 Virši has launched electricity business providing electricity to B2B business segment. Currently the amounts traded are insignificant, but the aim is to develop new business segment in the future. Group decreases dependence on electricity purchase price deviation in the market by hedging supplies. Derivative value as at 31 December 2022 recognised in the balance sheet is EUR 4 202 131 (2021: EUR 1 061 415). A possible change of 5 euro in the spread to Nord Pool commodity price at 31 December 2022 would have increased (decreased) profit before taxes by +/- EUR 216 911 (2021: +/- 226 676 EUR). This analysis assumes that all other variables remain constant.

Capital risk management

The Group's objective in the management of capital risk is to secure a capital structure that ensures access to capital markets at all times despite the business cycle of the industry in which it operates. Despite the fact that the Group does not have a public credit rating, the Group's target is to have a capital structure equivalent to an investment grade rating. The capital structure of the Group is reviewed by the Board of Directors on a regular basis. The Group monitors its capital on the basis of the leverage ratio, the ratio of interest-bearing net debt to interest-bearing net debt plus total equity. Interest-bearing net debt is calculated as interest-bearing liabilities

less liquid funds. Over the cycle, the Group's leverage ratio is likely to fluctuate, and it is the Group's objective to maintain the leverage ratio below 45%. There has been no change to policies in relation to capital management during the reporting period.

30. Profit distribution

The Board suggests that 20% of profit for the reporting year or EUR 2 074 007 be distributed as dividends, and the remainder be retained and used for further development of the Company. The Shareholder Meeting will decide on the distribution of profit.

31. Subsequent events

On 24 February 2022, the Russian Federation launched a military attack against Ukraine, which led to the outbreak of war on Ukrainian territory. The world is broadly supporting Ukraine through financial and economic sanctions against the Russian Federation. Management has assessed existing customers, suppliers and business processes - the Group's performance is currently stable, although there is uncertainty at the date of these financial statements about future actions by the neighbouring country and the extent and impact of future sanctions. In light of the situation in Ukraine having arisen and the sanctions against Russia and Belarus imposed by the USA and the European Union - AS VIRŠI-A has suspended cooperation with Russian and Belarusian partners. Also AS VIRŠI-A informs that fuel partners - refineries in Lithuania and Finland - continue to diversify their crude oil sources to reduce their dependence on Russia. The supply of fuel to AS VIRŠI-A proceeds as scheduled and without interruption in accordance with the effective supply agreement. According to management's initial estimates the impact on consolidated gross profit is not significant and therefore the health of the company's business model is immaterially affected by the current situation.

This conclusion is based on the information available as at the date of these consolidated financial statements.

According to Board and Council decision from March 23, 2023, the subsidiary SIA "Viršu nekustamie īpašumi" will be merged to parent in 2023. The concern will benefit from the merger of parent and subsidiary through management process and cost efficiencies.

Other than those described in the previous paragraph, no significant subsequent events have occurred in the period from the year-end to the date of these consolidated financial statements that would require adjustments to be made to these consolidated financial statements or disclosures added within the consolidated financial statements.

Riga, 11 April 2023



Jānis Vība
Chairman of the Board



Linda Prūse
Member of the Board



Vita Čirjevskā
Member of the Board



Jeļena Laurinaviča
Chief Accountant

THIS DOCUMENT IS SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIMESTAMP.

Independent Auditors' Report

To the shareholders of AS "Virši-A"

Report on the Audit of the Consolidated Financial Statements

Our Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of AS "Virši-A" ("the Company") and its subsidiaries ("the Group") set out on pages 8 to 41 of the accompanying consolidated Annual Report, which comprise:

- the consolidated statement of financial position as at 31 December 2022,
- the consolidated statement of comprehensive income for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended, and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of AS "Virši-A" and its subsidiaries as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

In accordance with the 'Law on Audit Services' of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibility for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and independence requirements included in the 'Law on Audit Services' of the Republic of Latvia that are relevant to our audit of the consolidated financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and the 'Law on Audit Services' of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Reporting on Other Information

The Group's management is responsible for the other information. The other information comprises:

- Information on the Group, as set out on page 4 of the accompanying consolidated Annual Report,
- the Group Management Report, as set out on page 5 to 7 of the accompanying consolidated Annual Report,

Our opinion on the consolidated financial statements does not cover the other information included in the consolidated Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information* section of our report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Group and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information

In addition, in accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Group Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia'.

Based solely on the work required to be undertaken in the course of our audit, in our opinion, in all material respects:

- the information given in the Management Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia'.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Baltics SIA
Licence No. 55



Rainers Vilāns
Member of the Board
Latvian Sworn Auditor
Certificate No. 200
Riga, Latvia
11 April 2023

THIS DOCUMENT HAS BEEN SIGNED WITH A SECURE
ELECTRONIC SIGNATURE AND IT HAS A TIME-STAMP